(1)

Supreme Court, U.S.
FILED
MAR 12 2002
CLERK

No. 01-408

IN THE

Supreme Court of the United States

THE HOLMES GROUP, INC.,

Petitioner,

—against—

VORNADO AIR CIRCULATION SYSTEMS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

JAMES W. DABNEY
Counsel for Petitioner
1155 Avenue of the Americas
New York, New York 10036
(212) 790-9090

PAUL IZZO
TIMOTHY P. GALLOGLY
THE HOLMES GROUP, INC.
Milford, Massachusetts

ARTHUR R. MILLER
1755 Massachusetts Avenue
Cambridge, Massachusetts

Marcia H. Sundeen
Carol M. Wilhelm

PENNIE & EDMONDS LLP
New York, New York

Of Counsel

March 12, 2002

25 pp

CORPORATE DISCLOSURE STATEMENT

Petitioner's Corporate Disclosure Statement was set forth at page iii of Petitioner's Opening Brief, and there are no amendments to that Statement.

TABLE OF CONTENTS

	Page
Corporate Disclosure Statement	i
Table of Contents	ii
Table of Cited Authorities	iii
Conclusion	18

TABLE OF CITED AUTHORITIES

	Page
Cases:	
American First Fed., Inc. v. Lake Forest Park, Inc., 198 F.3d 1259 (11th Cir. 1999)	11
Atari, Inc. v. JS&A Group, Inc., 747 F.2d 1422 (Fed. Cir. 1984) (*en banc*), *overruled by Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998)	2, 3
Biodex Corp. v. Loredan Biomedical, Inc., 946 F.2d 850 (Fed. Cir. 1991), *cert. denied*, 504 U.S. 980 (1992)	2
Boggild v. Kenner Prods., Div. of CPG Prods. Corp., 853 F.2d 465 (6th Cir. 1988)	3, 10
Cardinal Chem. Co. v. Morton Int'l, Inc., 508 U.S. 83 (1993)	8, 9, 10
Caterpillar Inc. v. Williams, 482 U.S. 386 (1987)	5, 6, 7, 13
Christianson v. Colt Indus. Operating Corp., 486 U.S. 800 (1988)	2, 3, 4, 5, 10, 11, 13
DSC Communications Corp. v. Pulse Communications, Inc., 170 F.3d 1354 (Fed. Cir.), *cert. denied*, 528 U.S. 923 (1999)	11
Franchise Tax Bd. v. Constr. Laborers Vacation Trust, 463 U.S. 1 (1983)	6, 8

Cited Authorities

	Page
Great Northern Ry. Co. v. Alexander, 246 U.S. 276 (1918)	5
Healy v. Sea Gull Specialty Co., 237 U.S. 479 (1915)	3
Hunter Douglas, Inc. v. Harmonic Design, Inc., 153 F.3d 1318 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1143 (1999)	4, 6
Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co., 342 U.S. 180 (1952)	13, 16
Lear, Inc. v. Adkins, 395 U.S. 653 (1969)	9
Merrell Dow Pharm. Inc. v. Thompson, 478 U.S. 804 (1986)	4, 7
Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356 (Fed. Cir.), *cert. denied*, 528 U.S. 1019 (1999), *overruled by TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 121 S. Ct. 1255 (2001)	2
Pratt v. Paris Gaslight & Coke Co., 168 U.S. 255 (1897)	4
Public Service Comm'n v. Wycoff Co., 344 U.S. 237 (1952)	8
Rivet v. Regions Bank, 522 U.S. 470 (1998)	6, 12, 13
Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191 (7th Cir. 1987)	5

Cited Authorities

	Page
Serco Serv. Co. v. Kelley Co., 51 F.3d 1037 (Fed. Cir. 1995)	16
Speedco Inc. v. Estes, 853 F.2d 909 (Fed. Cir. 1988)	9
Tempco Elec. Heater Corp. v. Omega Eng'g, Inc., 819 F.2d 746 (7th Cir. 1987)	16
The Fair v. Kohler Die & Specialty Co., 228 U.S. 22 (1913)	3, 7, 15
Unique Concepts, Inc. v. Manuel, 930 F.2d 573 (7th Cir. 1991)	1
Vornado Air Circulation Sys., Inc. v. Duracraft Corp., 58 F.3d 1498 (10th Cir. 1995), *cert. denied*, 516 U.S. 1067 (1996)	1, 5, 6, 16
Wilton v. Seven Falls Co., 515 U.S. 277 (1995)	16
Xeta, Inc. v. Atex, Inc., 825 F.2d 604 (1st Cir. 1987)	3

Cited Authorities

Page

Statutes:

12 U.S.C. § 1821(d) 11

15 U.S.C. § 1125(a) 2, 8, 14

19 U.S.C. § 1337 13

28 U.S.C. § 1295(a)(1) 4, 9, 11, 16

28 U.S.C. § 1331 ..... 3, 5

28 U.S.C. § 1338(a) 3, 4, 5, 9, 11, 16

28 U.S.C. § 1367 11

28 U.S.C. § 1367(a) 9

Mass. Gen. L. ch. 93A, § 2 ..... 8, 14

Mass. Gen. L. ch. 93A, § 11 ..... 8, 14

Rule:

Fed. R. Civ. P. 13(a) 13

Other Authorities:

14B C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure* § 3722 (3d ed. 1998) .. 4, 5

65 Fed. Reg. 4260 (Jan. 26, 2000) 13

H.R. Rep. No. 97-312 2

If there is one thing this case clearly is *not* about, it is anything to do with what Respondent calls "uniformity in the body of patent law" (Brief for Respondent [hereinafter "Resp. Br."] at 1). Petitioner did not seek, and the District Court did not award, any relief under federal patent law; the Federal Circuit's unpublished decision below does not mention patent law; and by Order of the District Court dated June 12, 2000 (JA101-102), Respondent's patent counterclaim was effectively withdrawn and will never be presented to any court if the summary judgment awarded Petitioner in March 2000 is affirmed.[1]

Respondent urges this Court to expand drastically the exclusive appellate jurisdiction of the Federal Circuit, not on the basis of any existing or non-speculative threat to the "uniformity" of federal patent law, but simply to improve this particular Respondent's chances of mounting a successful collateral attack on the final judgment of "trade dress" invalidity rendered in *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498 (10th Cir. 1995), *cert. denied*, 516 U.S. 1067 (1996) ("*Vornado I*"). In its briefs to the Federal Circuit (L152, L251), Respondent openly urged the Federal Circuit to reject the Tenth Circuit's holding in *Vornado I* and to permit Respondent to re-litigate the validity of exactly the same alleged "trade dress" held unprotectable in *Vornado I*. Respondent could make this argument only because, in the late 1990's, the Federal Circuit repudiated its prior practice of applying regional circuit law "in all but the substantive law fields assigned exclusively to this

1. The Order of this Court dated November 8, 2001, granting certiorari did not include Question No. 2 addressed to "whether Rule 54(b) can be used to direct an appeal to a particular circuit." *Unique Concepts, Inc. v. Manuel*, 930 F.2d 573, 575 (7th Cir. 1991) (Easterbrook, J.). The Court has thus left it open to Respondent to seek Federal Circuit review of any future judgment that might be issued on Respondent's currently unlitigated and wholly contingent patent counterclaim.

court,"[2] and thereby undermined a key basis on which the Federal Circuit had earlier justified extending its exclusive appellate jurisdiction over antitrust, copyright, "trade dress," and other non-patent cases based solely on a defendant's assertion of a patent law counterclaim against the plaintiff.[3]

Respondent proposes a novel "test to determine whether a case arises under patent law for purposes of 28 U.S.C. § 1295(a)(1)" (Resp. Br. at 16), one that is completely at odds with the holding and reasoning of *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988). *Christianson* limited Federal Circuit jurisdiction to conform to the "clear congressional intent" that "cases fall within the Federal Circuit's patent jurisdiction 'in the same sense that cases are said to "arise under" federal law for purposes of federal question jurisdiction.'" *Id.* at 814 (quoting H.R. Rep. No. 97-312 at 41). In suggesting that an interest in "greater uniformity in the body of patent law" (Resp. Br. at 1) justifies

2. *Atari, Inc. v. JS&A Group, Inc.*, 747 F.2d 1422, 1439 (Fed. Cir. 1984) (*en banc*), *overruled by Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1068 (Fed. Cir.), *cert. denied*, 528 U.S. 1019 (1998). *See Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1358-59 & n.1 (Fed. Cir.), *cert. denied*, 528 U.S. 1019 (1999) (Federal Circuit "[t]henceforth" would apply its "own" law, in place of regional circuit law, in determining whether product configurations were protectable as "trade dress" under 15 U.S.C. § 1125(a) or state law), *overruled on other grounds by TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 121 S. Ct. 1255 (2001).

3. In *Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850 (Fed. Cir. 1991), *cert. denied*, 504 U.S. 980 (1992), the Federal Circuit candidly acknowledged that "a rationale upon which *Atari* was based, adherence to regional circuit law to promote uniformity in pendent substantive legal issues . . . has been undermined by our decision in *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736 (Fed. Cir. 1990). . . ." 946 F.2d at 858 n.11.

the creation of some special, non-uniform jurisdictional "test" for Federal Circuit jurisdiction which deviates from the well-pleaded complaint rule governing District Court jurisdiction under 28 U.S.C. §§ 1331 and 1338(a), Respondent effectively urges exactly the same "policy" argument for expanding Federal Circuit jurisdiction which the *Christianson* majority expressly rejected in 1988. 486 U.S. at 813-14.[4]

For nearly 100 years, this Court has held that a plaintiff who commences a civil action (a) "is absolute master of what jurisdiction he will appeal to"[5] and also (b) "is master to decide what law he will rely upon."[6] The Court has thus

4. For similar reasons, Respondent's reliance on *Xeta, Inc. v. Atex, Inc.*, 825 F.2d 604 (1st Cir. 1987), is misplaced. *Xeta* was decided before *Christianson* and before the Federal Circuit repudiated its prior practice of applying regional circuit law "in all but the substantive law fields assigned exclusively to this court." *Atari*, 747 F.2d at 1439, *overruled by Nobelpharma*, 141 F.3d at 1059. Without the benefit of *Christianson*, the First Circuit in *Xeta* transferred a preliminary injunction appeal to the Federal Circuit notwithstanding that the plaintiff's well-pleaded complaint in that case stated only antitrust and state unfair competition claims. The *Xeta* decision did not cite or distinguish cases in other circuits holding that a defendant's answer and counterclaim does not operate to create "arising under" jurisdiction for purposes of general federal question jurisdiction. A listing of such cases (many of which were decided after *Xeta*) appears on pages 9 and 20-21 of Petitioner's main brief ("Pet. Br."). *See also Boggild v. Kenner Prods., Div. of CPG Prods. Corp.*, 853 F.2d 465, 467-69 (6th Cir. 1988) (regional circuit had jurisdiction over case involving claim for breach of patent license, notwithstanding defendant's counterclaim seeking a declaration that the license was unenforceable as a matter of federal patent law).

5. *Healy v. Sea Gull Specialty Co.*, 237 U.S. 479, 480 (1915) (Holmes, J.).

6. *The Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1913) (Holmes, J.).

explicitly held that "[j]urisdiction may not be sustained on a theory that the *plaintiff* has not advanced."[7] And with specific reference to 28 U.S.C. §§ 1338(a) and 1295(a)(1), the Court has held that for a case to be one "arising under" federal patent law, "the *plaintiff* must set up some right, title, or interest under the patent laws, or at least make it appear that some right or privilege will be defeated by one construction, or sustained by the opposite construction of these laws." *Christianson*, 486 U.S. at 807-08 (emphasis added; quoting *Pratt v. Paris Gaslight & Coke Co.*, 168 U.S. 255, 259 (1897)).[8]

It has long been recognized that a plaintiff may have reasons for preferring one jurisdiction over another, and for preferring one jurisdiction's law over that of another; and this Court has repeatedly acted to preserve and protect the "plaintiff's traditional prerogative of forum selection." 14B C. Wright, A. Miller & E. Cooper, *Federal Practice and*

7. *Merrell Dow Pharm. Inc. v. Thompson*, 478 U.S. 804, 809 n.6 (1986) (emphasis added).

8. Respondent's brief ("Resp. Br.") quotes the same passage from *Christianson* as is quoted in the text above, but inexcusably substitutes the word "patentee" for the word "plaintiff" in its characterization of what the Court "held" (Resp. Br. at 14). Contrary to Respondent's mischaracterization, *Christianson* expressly and repeatedly held that "the district court's jurisdiction is determined by reference to the well-pleaded *complaint*," 486 U.S. at 814 (emphasis added), by "what necessarily appears in the *plaintiff's* statement of his own claim," *id.* at 809 (emphasis added), and that the Federal Circuit has no appellate jurisdiction "over an appeal where the well-pleaded *complaint* does not depend on patent law." *Id.* at 814 (emphasis added). Further, non-patentee plaintiffs are fully capable of commencing actions which "arise under" federal patent law. *E.g., Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1143 (1999) (action alleging wrongful procurement and publicizing of invalid patent claims held one "arising under" federal patent law).

Procedure § 3722, at 453 (3d ed. 1998). Thus, for example, in *Caterpillar Inc. v. Williams*, 482 U.S. 386 (1987), this Court held that "the plaintiff may, by eschewing claims based on federal law, choose to have the cause heard in state court." *Id.* at 399. In *Great Northern Ry. Co. v. Alexander*, 246 U.S. 276 (1918), the Court similarly held that a plaintiff's choice of a state court forum could not be defeated by a defendant's "subsequent pleadings." *Id.* at 281, *cited in Caterpillar*, 482 U.S. at 392 n.7. And outside the Federal Circuit, the Courts of Appeals are unanimous in holding that a plaintiff's choice of a state court forum cannot be defeated by a defendant's service of an answer containing a federal law counterclaim. *E.g., Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1195 (7th Cir. 1987) (Posner, J.) ("That federal jurisdiction depends on the complaint rather than on the answer, counterclaim, or other subsequent pleadings is an aspect of the 'well-pleaded complaint' rule. . . .").[9]

The present case, like *Caterpillar* and *Christianson* and any number of other decisions of this Court construing the "arising under" language of 28 U.S.C. §§ 1331 and 1338(a), pits a plaintiff's choice of law and forum against that of a defendant. The Petitioner chose to file suit in the District of Kansas (within the Tenth Circuit) and deliberately invoked the "trade dress" law of the Tenth Circuit, including the final judgment of invalidity rendered in *Vornado I*. Under the well-pleaded complaint rule as repeatedly articulated and applied by this Court, the Petitioner was "absolute master" to frame its complaint as it did and to include, or exclude, such claims or theories of relief it might have had against Respondent or others at the time. It is certainly true, as Respondent suggests, that in December 1999, the Petitioner likely could have pleaded one or more claims against Respondent which "arose

9. *See* the authorities cited in Petitioner's main brief (Pet. Br. at 13 & n.9 and 20-21 & nn. 14-16).

under" federal patent law,[10] but it is equally clear that Petitioner was entitled to "eschew" any such claim, *Caterpillar*, 482 U.S. at 399, and to do so for the very purpose of preserving Petitioner's access to the Tenth Circuit. *Id.*[11]

The Respondent nevertheless contends that by serving an answer to Petitioner's complaint which included a patent law counterclaim, the Respondent (1) automatically ousted the Tenth Circuit of appellate jurisdiction over Petitioner's suit (Resp. Br. at 10), and (2) automatically effected a fundamental change in the substantive law governing the non-patent claims alleged in Petitioner's complaint (*id.* at 5). As noted above, Respondent's briefs below openly and unabashedly argued that the Federal Circuit should decide this case on the basis of its "own" standard of "trade dress" protection (L168-170, 173-180, 265-273), notwithstanding that Respondent had earlier attempted and failed to persuade the Tenth Circuit to adopt the Federal Circuit "trade dress" standard in *Vornado I.*

While purporting to catalogue the "principles" used by this Court "to divine when an action arises under the

10. *Cf. Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1143 (1999) (state law claim alleging wrongful publicizing of invalid patent claims was one "arising under" federal patent law).

11. While (falsely) accusing Petitioner of "manipulat[ing] jurisdictional rules" (Resp. Br. at 9, 24), Respondent makes no argument that Petitioner's complaint in this action was not "well-pleaded" or "omitt[ed] to plead necessary federal questions." *Rivet v. Regions Bank*, 522 U.S. 470, 475 (1998) (quoting *Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 22 (1983) (describing "artful pleading" corollary to the well-pleaded complaint rule)). Respondent appears to complain, rather, that Petitioner's complaint was *too* well-pleaded, for it resulted in an award of summary judgment to Petitioner.

Constitution or laws of the United States" (Resp. Br. at 16), Respondent pointedly fails to include the principle that "the party who brings a suit is master to decide what law he will rely upon and therefore does determine whether he will bring a 'suit arising under' the patent or other law of the United States by his declaration or bill. The question cannot depend upon the answer. . . ." *The Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1913) (Holmes, J.). Respondent does not distinguish, but simply disregards *The Fair*, *Caterpillar*, and numerous other decisions of this Court holding that "[j]urisdiction cannot be based on a theory the plaintiff has not advanced." *Merrell Dow*, 478 U.S. at 809 n.6.

Respondent sets up its various legal and policy arguments with a misstatement, repeated over and over again throughout Respondent's brief, that this case was brought by Petitioner as "a declaratory judgment action" (Resp. Br. at 1) "seeking only a declaration that Holmes's sales of its products did not infringe Vornado's asserted trade dress" (*id.* at 3-4). Notwithstanding the frequency with which Respondent repeats this assertion,[12] it is simply not true. Not only did Petitioner's complaint set forth seven claims for relief and seek damages and injunctive relief against Respondent (L2-15), but the District Court actually issued a preliminary

12. E.g., "petitioner filed a declaratory judgment action" (Resp. Br. at 1), "in the present setting of a declaratory judgment action" (*id.*), "petitioner Holmes commenced a district court action . . . seeking only a declaration" (*id.* at 3), "it is difficult to reconcile how petitioner was motivated to file a declaratory judgment action" (*id.* at 4 n.3), "this declaratory judgment action" (*id.* at 7), "preemptive declaratory judgment actions" (*id.*), "forum shopping by declaratory judgment plaintiffs" (*id.* at 8); "manipulate jurisdictional rules by bringing a declaratory judgment action" (*id.* at 9), "declaratory judgment actions (like this one)" (*id.* at 12), "petitioner manipulated jurisdictional rules by bringing a declaratory judgment action" (*id.* at 24).

injunction against Respondent on January 4, 2000 (JA84-86) restraining Respondent from acts of false advertising and deceptive practices under 15 U.S.C. § 1125(a) and Mass. Gen. L. ch. 93A, §§ 2 and 11. The issue on which the District Court granted summary judgment in favor of Petitioner was germane to multiple claims for affirmative relief pleaded by Petitioner.

Respondent's mischaracterization of Petitioner's suit as a mere "declaratory judgment action" is also without jurisdictional significance. It is true, as Respondent notes (Resp. Br. at 12), that a plaintiff can invoke "arising under" jurisdiction by pleading a threatened federal claim by another. *See Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 19 (1983); *Public Service Comm'n v. Wycoff Co.*, 344 U.S. 237, 248 (1952) (by implication). But this principle merely permits "arising under" jurisdiction to be based on a *complaint* which pleads a threatened federal claim by another. As *Franchise Tax Bd.* itself makes clear, the "well-pleaded complaint rule" does not permit a federal court to base jurisdiction on a defendant's answer which raises claims or issues *not* presented in a plaintiff's well-pleaded complaint. *Id.* at 10 n.9.

Respondent next cites to *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83 (1993), as purported authority for upholding the Federal Circuit's exercise of jurisdiction in this case. In *Cardinal Chemical*, the plaintiff had filed suit for patent infringement, and the defendant had asserted an affirmative defense of invalidity. The defendant had also, as is now common practice, made its invalidity defense the subject of a counterclaim for a declaratory judgment that the plaintiff's patent was invalid. The Court observed in *Cardinal Chemical* that the defendant "had properly invoked the original jurisdiction of the District Court." 508 U.S. at 98. But contrary to Respondent's apparent suggestion, the

"original jurisdiction" referred to in the cited passage was *supplemental* jurisdiction[13] in an action otherwise "arising under" federal patent law by reason of the plaintiff's claim of infringement. Having been commenced as a conventional action for patent infringement invoking federal question jurisdiction, the *Cardinal Chemical* decision clearly is not authority that a defendant's answer and counterclaim can render a civil action one "arising under" federal patent law if the plaintiff's well-pleaded complaint seeks no relief under patent law.[14]

The error of Respondent's reliance on *Cardinal Chemical* can be appreciated by considering an action for breach of contract to pay royalties for use of a patented invention. It is well-settled that such an action is not one "arising under" federal patent law; and this is so regardless of whether the defendant asserts, by way of defense, that the licensed patent is invalid. *E.g.*, *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) (state court had jurisdiction to hear claim for breach of patent license including invalidity defense); *Speedco Inc. v. Estes*, 853 F.2d 909 (Fed. Cir. 1988) (same). But under Respondent's

---

13. Following the commencement of a "civil action," a District Court has "supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution." 28 U.S.C. § 1367(a). By statutory definition, supplemental jurisdiction depends on the prior existence of a "civil action of which the district courts have original jurisdiction." *Id.* Supplemental jurisdiction clearly encompasses a counterclaim of the type asserted in *Cardinal Chemical*.

14. The question decided in *Cardinal Chemical* was whether the Federal Circuit properly vacated a declaratory judgment of invalidity after determining that the defendant had not infringed the plaintiff's patent. The case had nothing to do with "arising under" jurisdiction or the scope of 28 U.S.C. §§ 1338(a) and 1295(a)(1).

(clearly erroneous) argument, such a suit could readily be converted into a case "arising under" federal patent law through the simple expedient of the defendant asserting a counterclaim for a declaratory judgment of invalidity as was done in *Cardinal Chemical*. As at least one regional circuit has held, a counterclaim arising under patent law does not cut off regional Circuit jurisdiction over a case wherein the plaintiff pleads only breach of contract. *Boggild v. Kenner Prods., Div. of CPG Prods. Corp.*, 853 F.2d 465, 467-69 (6th Cir. 1988) (regional circuit had appellate jurisdiction over case when plaintiff alleged breach of a patent license, notwithstanding defendant's counterclaim alleging that the license was unenforceable as a matter of federal patent law).

Respondent asserts that its proposed "test" for Federal Circuit jurisdiction (Resp. Br. at 16) is not inconsistent with the principle that "a case raising a patent-law defense does not, for that reason alone, 'arise under' federal patent law," *Christianson*, 486 U.S. at 809, because according to Respondent, "[c]ourts have differentiated between counterclaims and defenses." Resp. Br. at 17 n.8. But as Respondent's own argument based on *Cardinal Chemical* reveals, there is often no meaningful distinction between patent law "defenses" and "counterclaims" as a practical matter.

Respondent does not cite or distinguish any of the numerous authorities cited by Petitioner (Pet. Br. at 20-21 & n.15) holding that defenses and counterclaims contained in a defendant's answer are both equally extraneous to the existence or non-existence of "arising under" jurisdiction governed by the well-pleaded complaint rule. The authorities cited by Respondent in support of its contrary argument (Resp. Br. at 17 n.8) deal with spectacularly irrelevant subjects such as whether an affirmative defense to a

promissory note is subject to the exhaustion requirement of 12 U.S.C. § 1821(d).[15]

Respondent also cites authorities holding that a District Court can "retain" jurisdiction over a counterclaim notwithstanding that plaintiff's complaint might be defective (Resp. Br. at 13). But as Petitioner has previously demonstrated (Pet. Br. at 30), these authorities are inapposite to whether a defendant's answer and counterclaim operates to *change* the basis of a civil action commenced, as the present action was, by the filing of a *well-pleaded* complaint properly invoking the original jurisdiction of the District Court. A counterclaim often will not be one "arising under" federal patent law but nonetheless will fall within a District Court's supplemental jurisdiction under 28 U.S.C § 1367. The well-pleaded complaint rule, not the supplemental jurisdiction statute, governs the existence or non-existence of "arising under" jurisdiction for purposes of 28 U.S.C. §§ 1338(a) and 1295(a)(1). *See Christianson*, 486 U.S. at 808-09, 813-14.

Respondent suggests that it was permissible in this case for the Federal Circuit to look past the face of Petitioner's well-pleaded complaint because Respondent assertedly "was obliged to assert its related patent claim as a compulsory counterclaim" (Resp. Br. at 1);[16] Petitioner assertedly

15. *American First Fed., Inc. v. Lake Forest Park, Inc.*, 198 F.3d 1259, 1263 (11th Cir. 1999).

16. Respondent notably does not cite, and offers no defense of, the Federal Circuit's position that it has exclusive jurisdiction over cases in which a defendant's answer asserts a permissive, as distinct from a compulsory, counterclaim. *DSC Communications Corp. v. Pulse Communications, Inc.*, 170 F.3d 1354 (Fed. Cir.), *cert. denied*, 528 U.S. 923 (1999). Nothing in the decision below indicates that the allegedly "compulsory" nature of Respondent's counterclaim formed any basis of the Federal Circuit's taking of jurisdiction in this case.

"understood" this (*id.* at 7), and it assertedly "strains credulity to suggest, as petitioner does, that the patent law claims do not underlie this lawsuit every bit as much as the trade dress claims do" (*id.* at 11-12). From these premises, Respondent accuses Petitioner of having "manipulated jurisdictional rules" (*id.* at 24) . Respondent's *ad hominem* argument is flawed at several levels.[17]

Why a plaintiff might be "motivated" to frame a complaint in a particular way (Resp. Br. at 4 n.3) is of course irrelevant to whether a complaint as filed is "well-pleaded" for jurisdictional purposes. To make "arising under" jurisdiction dependent on a plaintiff's "motives" would completely destroy the "bright line" standard of looking to what "is presented on the face of the plaintiff's properly pleaded complaint." *Rivet v. Regions Bank*, 522 U.S. 470,

17. Although not germane to the jurisdictional questions pending before the Court, Respondent's *ad hominem* argument is wholly unsupported and baseless as reflected in the Declaration of Paul J. Powers sworn to December 17, 1999 ("Powers Decl.") submitted in support of Petitioner's successful application for preliminary injunctive relief against Respondent:

> Buyers for major customers have already called and expressed concern over Vornado's allegations. The damage this is causing to Holmes' business and reputation is incalculable. I and our individual sales people will have difficulty trying to reassure our customers with respect to the "trade dress" claim being made by Vornado. Unlike claims of patent infringement, which can be assessed against specific claim language, the existence or non-existence of the type of "trade dress" rights Vornado appears to be claiming (for a second time) is not registered or recorded anywhere and is said by Vornado to depend on, among other things, the mental states of large numbers of consumers and other factors which are not easily or certainly determinable. (Powers Decl. ¶ 12)

475 (1998) (quoting *Caterpillar Inc. v. Williams*, 482 U.S. 386, 392 (1987)).

There is, further, nothing novel or unusual about a plaintiff deliberately "eschewing" available claims or legal theories in order to establish a jurisdictional choice. *Caterpillar*, 482 U.S. at 392 & n.7, 399. To suggest, as Respondent does, that a plaintiff can be stripped of its chosen law and forum because the plaintiff allegedly can foretell the future and anticipate a counterclaim by the defendant,[18] is simply a frontal assault on the well-pleaded complaint rule itself. *See Christianson*, 486 U.S. at 809 (plaintiff's anticipation of federal law defense cannot create "arising under" jurisdiction).

Respondent emphasizes that at the time Petitioner commenced this action on December 8, 1999, Respondent was actively attempting to persuade the ITC to institute an "investigation" of Petitioner under 19 U.S.C. § 1337 and had lodged a "complaint" with the ITC accusing Petitioner of both patent and "trade dress" infringement (Resp. Br. at 1, 3). Respondent eventually succeeded in persuading the ITC to institute Investigation No. 337-TA-426 (the "ITC proceeding"; *see* 65 Fed. Reg. 4260 (Jan. 26, 2000)).[19]

18. Contrary to Respondent's apparent belief, Fed. R. Civ. P. 13(a) does not "oblige" a defendant to assert a compulsory counterclaim. It frequently happens that a person sued in a civil action turns around and counter-sues in a second jurisdiction; and the District Courts have substantial discretion to decide whether the first-filed or the second-filed action should proceed. *E.g., Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180, 185-86 (1952) (affirming stay of declaratory judgment action in favor of later-commenced action for patent infringement).

19. The ITC proceeding was terminated on July 20, 2000, with no action taken against Petitioner. Respondent's suggestion that the ITC purportedly "determined" that Respondent had "viable" claims against Petitioner (Resp. Br. at 3, 9) is patently untrue.

Respondent was free at all times to pursue whatever remedies the ITC had jurisdiction to award Respondent in that proceeding.[20]

But just as Respondent was free to seek relief in a forum of its choosing (*i.e.*, the ITC), so was Petitioner. Faced with imminent and irreparable harm to its business on the eve of a major housewares industry trade show (JA47-49, Order Granting Preliminary Injunction, JA84), Petitioner filed suit seeking money damages and preliminary and permanent injunctive relief against Respondent on claims arising under 15 U.S.C. § 1125(a), Mass. Gen. L. ch. 93A, §§ 2, 11, and state common law (L1-86). Petitioner's suit in the District Court was completely separate and independent of the then-putative ITC proceeding which Respondent was attempting to foment.[21] The District Court's jurisdiction to hear Petitioner's suit was based on the contents of Petitioner's well-pleaded complaint which was, Respondent concedes, "devoid of a patent infringement claim" (Resp. Br. at 5). Respondent was free to, and did, request that the District Court stay Petitioner's suit and defer to the ITC proceeding, but the District Court, in the exercise of its discretion, declined to do so.

---

20. As noted in Petitioner's main brief (Pet. Br. at 3 n.2), the District Court specifically declined to interfere with Respondent's pursuit of the ITC proceeding (JA75, 85). In its Memorandum and Order dated March 8, 2000, granting summary judgment to Petitioner in "this action," the District Court observed that "the ITC must determine in its own right whether the doctrine of collateral estoppel should apply to bar any of the claims [then] pending before it." 93 F. Supp. 2d at 1144 (JA97-98). Nevertheless, Respondent elected not to pursue the ITC proceeding after the District Court awarded summary judgment to Petitioner.

21. The ITC had and has no jurisdiction to award damages or to issue the type of preliminary injunctive relief which Petitioner sought, and was granted, against Respondent in January 2000 (JA84-86).

That Petitioner might have attached no commercial significance to any threatened patent infringement claim by Respondent,[22] or might have wished to ensure Tenth Circuit jurisdiction over its suit for unfair competition and deceptive trade practices, or might have had some other reason for framing its well-pleaded complaint as it did, is simply extraneous to the jurisdictional questions pending before this Court. Under well-settled law, Petitioner was "master to decide what law [it would] rely upon." *The Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1913). Respondent does not cite or distinguish *The Fair* or other decisions of this Court to the same effect, presumably because Respondent cannot do so. Respondent's apparent contention that Petitioner was under some duty to plead a "patent infringement claim" when it commenced this action in December 1999 (Resp. Br. at 5) flies in the face of this Court's precedents.

Equally specious is Respondent's argument that in order to "eliminate forum shopping by declaratory judgment plaintiffs" (Resp. Br. at 8, 20-21), the Federal Circuit must be granted exclusive appellate jurisdiction over any and every type of case commenced in federal court to which a patent law counterclaim is asserted. To begin, it is clear that the Federal Circuit's *current* approach to jurisdiction, in which that court applies "its own" law to "trade dress" and other

---

22. Although not germane to the jurisdictional questions pending before the Court, the record shows that on January 19, 2000, Petitioner filed a reply in the District Court which characterized Respondent's counterclaim as frivolous and asserted in bad faith for the purpose of manipulating appellate jurisdiction (L149). Respondent's subsequent failure to pursue its purported counterclaim in any forum, including the ITC, is consistent with Petitioner's allegation. *See also* Powers Decl ¶ 12; Declaration of Francis E. Marino, sworn to December 17, 1999, ¶ 23 ("allegations of patent infringement can be evaluated much more readily, and with much greater confidence, than can allegations of alleged infringement of unregistered 'trade dress' rights in product configurations").

non-patent claims, is a powerful inducement to forum shopping and the stirring up of marginal patent litigation in aid of such shopping.

It was not the well-pleaded complaint rule which prompted this Respondent to attempt to mount a collateral attack on the final judgment in *Vornado I*. It also was not the well-pleaded complaint rule which prompted this Respondent to run away from its "home court" of Wichita, Kansas and to allege in a complaint to the ITC that a 1999 decision of the Federal Circuit supposedly "trumps the Tenth Circuit in *Vornado* [*I*]" (L8, L79). These actions by Respondent were induced by the *existing* jurisdictional approach of the Federal Circuit, which Respondent understandably (if short-sightedly) seeks to perpetuate to suit its litigation preferences in this particular case.

Respondent's argument also overlooks that District Courts have "unique and substantial discretion in deciding whether to declare the rights of litigants." *Wilton v. Seven Falls Co.*, 515 U.S. 277, 286 (1995). This discretion is often used to forestall "forum shopping" in intellectual property cases. *E.g.*, *Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180, 185-86 (1952) (affirming stay of declaratory judgment action in favor of subsequently commenced coercive action); *Serco Serv. Co. v. Kelley Co.*, 51 F.3d 1037, 1039 (Fed. Cir. 1995) (same); *Tempco Elec. Heater Corp. v. Omega Eng'g, Inc.*, 819 F.2d 746, 749-50 (7th Cir. 1987) (same).

The broad discretion which District Courts have "in deciding whether to declare the rights of litigants," *Wilton*, 515 U.S. at 286, exposes the emptiness of Respondent's speculative hypothesis that faithful application of the well-pleaded complaint rule to 28 U.S.C. §§ 1338(a) and 1295(a)(1) would somehow create a specter of "forum shopping by declaratory judgment plaintiffs"

(Resp. Br. at 8). Diverting to the Federal Circuit every antitrust, copyright, "trade dress," or other non-patent case to which a patent counterclaim is asserted, plainly is not a sensible or appropriate means of "eliminat[ing] forum shopping by declaratory judgment plaintiffs" (Resp. Br. at 8), even assuming there were some connection between the well-pleaded complaint rule and Respondent's unfounded speculations in that regard.

A further defect in Respondent's argument is it is unstated assumption that defendants who are sued in federal court will always prefer Federal Circuit to regional circuit jurisdiction in cases brought under antitrust or other non-patent laws, if the defense includes a patent counterclaim. A defendant accused, for example, of imposing unreasonable or per se unlawful restraints on a licensee's use of a patented invention, in alleged violation of federal antitrust law, might well prefer that a regional circuit decide the merits of its defense, even though the defense might include assertion of a counterclaim for patent infringement. But under Respondent's argument, such a defendant cannot have access to regional circuit jurisdiction except by omitting any patent counterclaim from its defense of the plaintiff's suit. And of course, adoption of Respondent's position would confer upon defendants a unilateral power to cut off regional circuit jurisdiction over a plaintiff's non-patent suit (and evade its substantive law), as was attempted below.

At bottom, it is apparent that Respondent's arguments for jettisoning the well-pleaded complaint rule are driven, not by any justification grounded in history, congressional intent, this Court's precedents, or any actual threat to the "uniformity" of federal patent law, but merely to accommodate this particular Respondent's desire, in this particular case, to improve its chances of being permitted to re-litigate a "trade dress" issue it previously litigated and lost, based on a 1999 decision of the Federal Circuit which this Court subsequently overruled.

CONCLUSION

The judgment of the Federal Circuit should be reversed, and the cause remanded to the Tenth Circuit for further proceedings. Alternatively, the Court should affirm the District Court's award of summary judgment to Petitioner.

Respectfully submitted,

JAMES W. DABNEY
Counsel for Petitioner
1155 Avenue of the Americas
New York, New York 10036
(212) 790-9090

PAUL IZZO
TIMOTHY P. GALLOGLY
THE HOLMES GROUP, INC.
Milford, Massachusetts

ARTHUR R. MILLER
1755 Massachusetts Avenue
Cambridge, Massachusetts

Marcia H. Sundeen
Carol M. Wilhelm

PENNIE & EDMONDS LLP
New York, New York

Of Counsel

March 12, 2002